



Petroleum Market Report

June 4, 2001

Energy Information Administration
Office of Oil & Gas

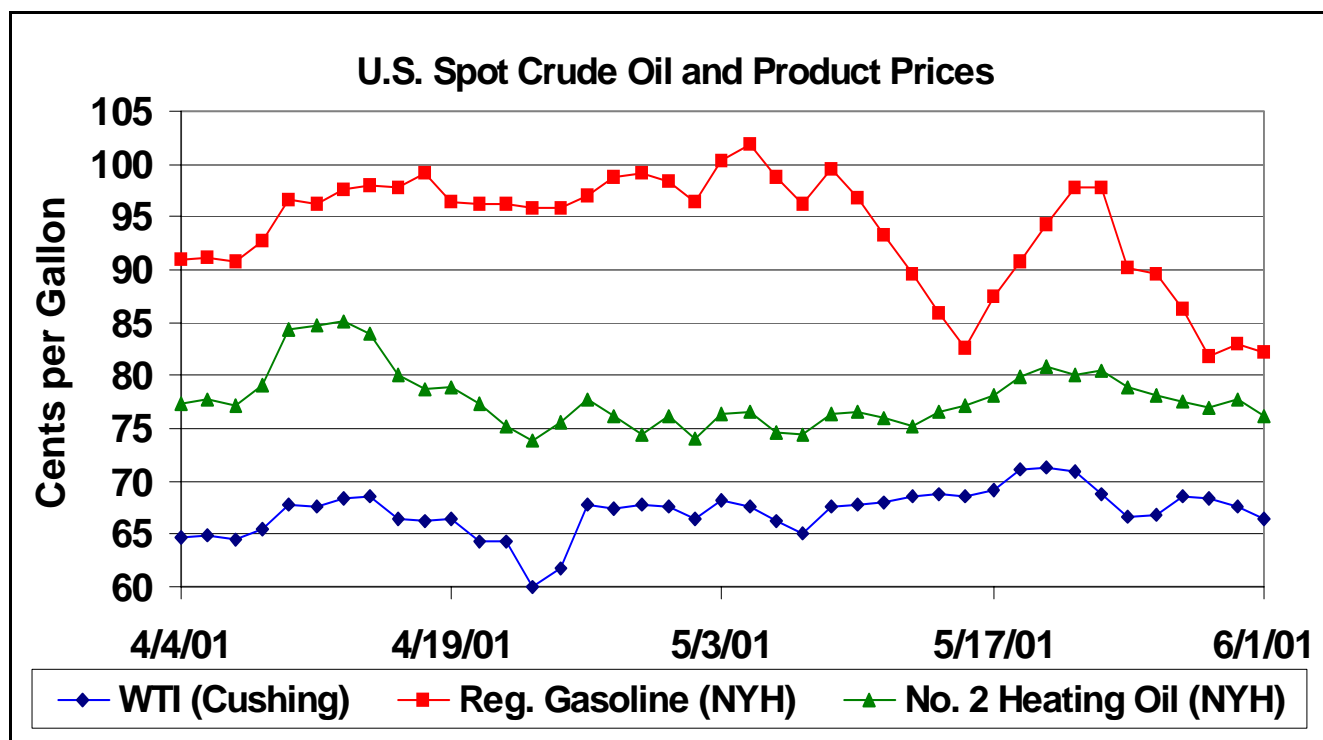
MARKET SUMMARY

A continuation of solid declines in gasoline prices, which began before Memorial Day, led U.S. petroleum spot and futures prices lower last week. Following the 3-day holiday weekend, traditionally seen as the start of the summer driving season, prices moved mostly downward all week. Brief increases were seen in crude oil, stemming from Iraq's threat to cut off exports, and in products ahead of Thursday's NYMEX June futures contract expiration. Other significant influences during the week included anticipation of the June 5 OPEC meeting, improving U.S. refinery operating status, and rising product inventories in the week ending May 25.

Crude oil - prices moved moderately upward on Tuesday to start the week, focusing on threats by Iraq to stop exports in protest if the U.N. Security Council adopts so-called "smart sanctions" recommended by the U.S. and the United Kingdom. As the week progressed, prices moved moderately downward, despite the Security Council passing a one-month extension of the oil-for-food program, and Iraq carrying out its threat to cut off shipments. Concerns about the June 5 OPEC meeting had little impact, as the cartel was generally expected to keep output quotas unchanged.

Gasoline - extended price declines from the previous week's highs, taking futures and East and Gulf Coast spot prices to their lowest levels in nearly two months. Growing refinery production and strong imports have helped inventories to build by 15 million barrels over six weeks through May 25, lessening earlier concerns over summer supply adequacy. NYMEX June contract expiration was a factor, though selling early in the week gave way to late buying ahead of Thursday's close.

Distillate - prices closely followed those for crude oil, with some slight firmness attributed to futures expiration and a one-day shutdown of the Colonial Pipeline's main distillate line.



CHRONOLOGY OF RECENT MARKET EVENTS

- 6/1 - falling** - prices fell moderately marketwide to end the week, aided by Iraq's promise to honor existing contracts despite its protest against a one-month extension of U.S.-sanctioned "oil-for-food" sales. Farmland shut a crude unit at its Kansas refinery for maintenance, while Colonial Pipeline announced it had restarted its main distillate line after shutting down due to a leak on Wednesday.
- 5/31 - mixed** - crude oil prices eased, while products turned upward ahead of NYMEX contract expiration at the close of trading. Price movements ran counter to weekly inventory data, which showed a draw on crude stocks and builds in products.
- 5/30 - mixed** - most prices moved downward, again led by a sharp drop in gasoline. Profit-taking was cited, ahead of both the weekly supply reports (delayed due to the Monday holiday) and Thursday's NYMEX product contract expirations.
- 5/29 - mixed** - crude oil prices rose, while gasoline led products lower. Following the Memorial Day weekend, prices initially bounced upward in response to Iraqi threats to cut off oil exports if the U.S. Security Council adopts so-called "smart" sanctions. Later selling focused on June NYMEX product expiration on Thursday, despite a cat cracker outage at a Los Angeles-area refinery.
- 5/25 - mixed** - futures and most spot prices continued lower in shortened pre-holiday trading, leaving most markets in negative territory for the week. Gasoline saw further profit-taking ahead of the holiday weekend, while crude oil and distillates continued their downward drift.
- 5/24 - falling** - prices dropped across the board, led by gasoline, generally attributed to profit-taking after a week-long runup and ahead of the extended Memorial Day holiday weekend. OPEC Secretary-General Ali Rodriguez echoed earlier statements that the cartel would not raise output in June.
- 5/23 - mixed** - crude prices fell for a second day, while products were generally higher, largely reflecting the API and EIA supply reports for the previous week. Crude oil stocks showed an unexpected increase, while gasoline inventory reports were mixed overall, but lower for RFG. NYMEX June gasoline finished the day at 115.89 cents per gallon, just below its all-time high struck on April 30.
- 5/22 - mixed** - crude oil and distillate prices turned moderately lower, while gasoline continued to rise. Crude oil selling was seen ahead of June NYMEX contract expiration at the close, while gasoline prices were supported by two new refinery problems in the Gulf Coast and mid-continent.
- 5/21 - rising** - gasoline led all prices higher, boosted by continuing concerns about a number of recent refinery problems, the latest a Gulf Coast cat cracker that went down for unscheduled maintenance on Friday. OPEC President Chekib Khelil reiterated that the group was unlikely to increase output quotas at its June meeting.
- 5/18 - rising** - all prices climbed for a second day, again led by gasoline, attributed to pre-weekend shortcovering on refinery concerns and new conflicts in the Middle East. A U.S./British airstrike on a missile site in southern Iraq and renewed Israeli/Palestinian violence were seen as providing some support to crude oil markets.